

Message Text

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53-L
ACTION NEA-10

INFO OCT-01 EUR-12 IO-10 ISO-00 SS-15 PM-03 SP-02 L-02

H-02 PRS-01 SAB-01 SAM-01 EB-07 CIAE-00 INR-07

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R 091015Z DEC 74
FM AMEMBASSY TEL AVIV
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E.O.11652:N/A
TAG: EFIN, IS
SUBJECT: ISRAEL CORPORATION- ROSENBAUM - INTERNATIONAL
CREDIT BANK SCANDAL STATUS REPORT

REF: TEL AVIV 5973 AND PREVIOUS

1. MORE SPECTACULAR ECONOMIC AND POLITICAL EVENTS SUCH AS
EMERGENCY ECONOMIC PROGRAM, TENSION NEAR SYRAIN BORDER, AND
ARAFAT APPERANCE AT UN HAVE PUSHED ISRAEL CORPORATION (IC)-
ROSENBAUM - INTERANTIONAL CREDIT BANK (ICB) SCANDAL OFF ISRAELI
HEADLINES, BUT ISSUE HAS REMAINED CONSTANTLY IN NEWS.

2. IC'S COMMITTEE OF INQUIRY INTO ROSENBAUM AFFAIR, HEADED BY
ATTORNEY GEORGE SHAPIRO OF U.S., IS ABOUT TO COMPLETE ITS REPORT
AND TO SUBMITT FINDINGS TO IC BOARD AND TO FINANCE MINISTR
RABINOWITZ AND MIISTER OF COMMERCE AND INDUSRY BAR-LEV. ACCOR-
DING TO PRESS, NEARLY IL 2 MILLION HAS BEEN SPENT ON INQUIRY,
WHICH NECISSATATED TRAVEL OF INVESTOAGTORS TO VARIOUS EUROPEAN
CITIES. INVESTIGATION CONDUCTDIN STRICTIST SECRECY
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AND RESULTS WILLREPORTEDLY BE PUBLISHED IN NEW YORK IN ORDER

TO AVIOD ANY LEAKS.

3. ISRAEI PRESS REPORTED ON NOV 26 THAT A SWISS COURT GRANTED A 3-YEAR MORATORIUM TO ICB. ACCORDING TO THIS ACCOUNT , WHICH UNCONFIRMED , COURT HAS FOUND THAT BANK, IN WHICH ROSENBAUM MAJOR SHARHOLDER, HAD SUFFICIENT ASSETS TO MEET ITS LIABILITIES, AND THAT IT WAS ONLY SUFFERING FROM TEMPORARY LIQUIDITY SHORTAGE. CONSEQUENTLY, ROSENBAUM EXPRESSED HIS OPTIMISIM AS TO ICB CHANCES OF RESUMING NORMAL OPERATIONS NAD OF HONORING ITS FORMER OBLIGATIONS WITHIN NFEW MONTHS, WITH THE BELIEF THA GERMAN AND ISRAELI PARTICIPATION IN ICB WOULD BE OBTANED.

4. WHETHER ROSENBAUM'S OPTISM JUSTIFIED REMAINS TO BE SEEN. THE GERMAIN HESSISCHE LANDESBANK HAS NOT YET OFFICIALLY RE-TRACTED ITS DECISION TO DEMAND RETURN OF ITS SHARES IN ICB. IC BOARD WHICH CONVNNED IN ISRAEL ON NOVEMBER 28 REPORTEDLY REFUSED TO TAKE INITIATIVE ON FORMATION OF CONSORTIUM OF CREDITORS TO SAVE ICB. HOWEVER, IT DID NOT EXLCUDE POSSIBILITY OF JOINIG SUBHC CONSORTIUM SHOULD IT BE FORMED WITH PARTCIPATION OF GERMAN BANK, THE "BIG THREE" ISRAELI BANKS,AND THE GOI, IN ATTEMPT TO RESCUE PART OF IC'S DEPOSITS. GOI TREASURY SPOKESMAN ASSERTED ON NOVEMBER 26 THAT THERE WAS NO PLAN TO ADVANCE PUBLIC FUNDS FOR SAVING ROSENBAUM'S CONCERNS. ON NOVEMBER 3, FINANCE MINISTER RABINOWITZ ALSO STATED THAT GOVERNMENT FUNDS WOULD NOT BE ALLOCAED FOR THIS PURPOSE BEFORE PUBLICATION OF INQUIRY'S RESULTS, WNAD WITHOUT PRIOR CABINET DELIBERATIONS.

5. MEANWHILE, SEVERAL REPORTS HAVE BEEN PUBLISHED VARIOUS ISRAELI CORPORATIONS' INVOLVEMENT IN ROSENBAUM'S VENTURES. (A) INQUIRY COMMITEE APPOINTED BY ZIM SHIPPING COMPANY'S BOARD OF DIRECTORS DESCRIBED THE ROLE PLAY BY MICHAEL TZUR, THE FORMER ZIM CHAIRMAN, IN DEPOSITING OVER \$11 MILLION OF COMPANY FUNDS WITH THE VADUZ FIMS OF TIBOR ROSENBAUM. THE REPORT BLAMED COMPANY'S OFFICERS, AUDITORS, AND DIRECTORS FOR FAILING TO SUPERVISE TZUR'S MANIPULATIONS. ZIM'S SPOKESMAN SAID ON NOVEMBER 14 THAT REPORT HAD BEEN PASSED TO POLICE FOR "FURTHER INVESTIGATION AND ACTION IF NECESSARY"". (B) SIMILARLY , REPORT PREPARED FOR HAIFA REFINERIES' BOARD REVEALED THAT TZUR SUCCEEDED THROUGH UNCLASSIFIED

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SERIES OF MANEUVERS IN TRANSFERRING \$3 MILLION OF REFINERIES' FUNDS INTO ROSENBAUM ICB IN GENEVA AND FROM THERE TO ICT IN VADUZ. ACCORDING TO REPORT, NOBODY IN REFINERIES KNEW WHAT WAS GOING ON OR REALIZED DANGER OF SUCH OPERATIONS.(C) HISTADRUT CONTROLLER ON NOVEMBER 21 STRONGLY RAPPED DIRECTOR GENERAL OF SOEL BONEH(ISRAEL'S LARGEST CONTRACTING FIRM OWNED BY HISTADRUT TRADE UNION HOLDING COMPANY) ZVI RECHTER FOR \$2.2 MILLION DEPOSITS,AND OTHER DEALING, WITH TIBOR ROSENBAUM'S

CONCERNS. THE POSSIBILITY OF RECHTER BEING PRESSED TO RESIGN
OVER ISSUE NOT RULED OUT.

6. KNESSET DEBATED STATE COMPANIES' INVESTMENTS IN ROSENBAUM
ENTERPRISES, THE LIKUD FACTION IN KNESSET TABLED NON-
CONFIDENCE MOTION AFTER ITS DEMAND FOR PARLIAMENTARY COMMIS-
SION OF INQUIRY ON SCANDAL WAS DEFEATED ON NOVEMBER 6. MITON
WAS ALSO REJECTED ON NOVEMBER 17 BY A 56/36 MAJORITY WITH NINE
ABSTENTIONS, KNESSET FINANCE AND ECONOMIC COMMITTEES PREVIOUSLY
DISCUSSED IMPLICATIONS OF SCANDAL AND POSSIBILITY OF RESCUING
DEPOSITORS WITH ROSENBAUM'S COMPANIES.

7. NOVEMBER 28, BOARD APPOINTED YISRAEL GAL-EDD, FORMERLY
DIRECTOR GENERAL OF THE MINISTRY OF DEVELOPMENT, AND PRESENTLY
CHAIRMAN OF ROGOZIN INDUSTRIES (SYNTHETIC YARN), AS MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER OF IC TO REPLACE MICHAEL
TZUR. FORMER CHIEF OF STAFF, DAVID ELAZAR, AS CONFIRMED BY
BOARD AS CHAIRMAN OF ZIM. IC'S CHAIRMAN AND MAJOR SHAREHOLDER,
BARON EDMOND DE ROTHSCHILD, EXPRESSED HIS CONFIDENCE IN IC'S
FUTURE DESPITE RECENT CRISIS, AND DECLARED HIS READINESS
TO EXPAND INVESTMENT ACTIVITIES IN ISRAEL ENTERPRISES.
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